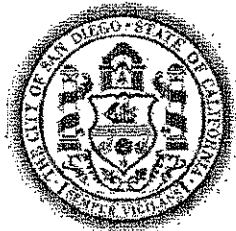


*BID TO GOAL*  
*PUBLIC CONTRACT*

*Metropolitan Wastewater*  
*Department (MWWD)*



**THE CITY OF SAN DIEGO**

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*Labor-Management Partnership*  
*(LMP) Bid*

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# 1 LABOR-MANAGEMENT PARTNERSHIP (LMP) BID BACKGROUND

## 1.1 Introduction

The San Diego Metropolitan Wastewater Department (MWWD) has undertaken this Bid to Goal Reengineering Project as a productivity improvement initiative within the overall City of San Diego's Business Process Reengineering effort. The Bid to Goal concept and program was originally developed in 1997 as a pilot methodology in operating and maintaining MWWD's major treatment facilities. Its primary objective was to provide tangible evidence of organizational competitiveness through adaptations of the most appropriate features of the public and private sectors. The original pilot proved successful and received national recognition by such organizations as Harvard University's John F. Kennedy School of Government and the International City/County Managers' Association. The concept was subsequently expanded to MWWD's wastewater collection system, as well as to substantial portions of the City's Water Department. This renewed MWWD Bid to Goal Agreement fulfills a strategic goal of the department to bring the entire wastewater utility under the same performance management plan, thereby facilitating consistency and alignment of the organization's goal setting and accountability mechanisms.

Successful implementation of the Bid results in City employees continuing to provide management, operations, and maintenance services of the City's municipal and regional wastewater system, and follows directly from its primary and governing reference document, the Bid to Goal Memorandum of Understanding (MOU), as ratified by the City and its partnering labor organizations. The MOU sets forth the basic ground rules for an agreement between the Mayor on behalf of the City of San Diego, and the MWWD management team and employees, hereinafter referred to as the MWWD Labor-Management Partnership (LMP). The LMP is comprised of employees represented by Local 127 of the American Federation of State, County, and Municipal Employees (AFSCME Local 127) and employees represented by the San Diego Municipal Employees Association (MEA). Also included in MWWD's LMP are classified unrepresented employees, interns and the MWWD Management Team.

The Bid is intended to supplement the MOU, providing complementary detail and procedural information. It was developed by the MWWD Management Team and department staff, and provided to the two partnering labor organizations for review and comment. Strategies to achieve savings and performance improvement as well as performance accountability measures were largely developed and recommended to the MWWD Management Team by employees during the 2006 department-wide efficiency study known as Business Process Reengineering (BPR). It is intended that such strategies will continue to be developed over the life of the agreement, with attendant additional savings and improved performance.

The MWWD LMP Bid is summarized in Section 1.2. Section 2 of this document presents the basis for this MWWD LMP Bid. Section 3 presents the basis for the Budget Objective that was used to develop this Bid. Section 4 provides relevant definitions.

## 1.2 Summary of the MWWD LMP Bid Budget Objective

### 1.2.1 Budget Objective

The Budget Objective of the Bid ties the MWWD LMP's performance to the utility's mission and its vision to be a recognized Wastewater Industry leader (or 'Best-in-Class' organization) for its customers. It was based on an estimate of a competitive level private sector bid in the contemporary market to operate and support the City of San Diego wastewater system at specified service levels. This estimate was calculated by a third party industry expert and approved by the Public Utility Advisory Commission, the City Council and the Mayor. It is noted that implementation of this budget results in a significant reduction in previous budgets without impacting services to the ratepayers. The efficiencies and reorganizations required to attain these reductions are in addition to substantial optimizations achieved by MWWD over the past decade as part of predecessor efforts for continual improvement in individual MWWD divisions. *These additional efficiencies are greatly dependent on companion efforts in the City to improve such support functions as personnel management (recruiting, hiring, promoting, etc.), acquisition management (contracting for replacement parts, consultant services, information technology, etc.) and centralized engineering services.*

The Bid to Goal Budget Objective for this agreement's initial year (Fiscal Year 2008) is summarized in Table 1.1. Subsequent year Budget Objectives will be calculated utilizing specified methodology to account for such factors as actual increases in labor costs, non-personnel inflation and emergent requirements. It is noted that the Budget Objective is intended to be as close to the approved department operating and maintenance budget (excluding identified pass-through items) as practicable. In light of differences in timing for City of San Diego requirements to propose and gain approval of department budgets, compared to requirements for deriving and adjusting the Bid to Goal Budget Objective, it is anticipated that differences in these two values will exist. It is the obligation of the MWWD LMP to track and justify any reconciling factors to the satisfaction of auditors of annual performance reports.

**Table 1.1: Fiscal 2008 Budget Objective**

<b>(A) Total Controllable Budget Objective</b>	<b>\$ 213,502,095</b>	<b>(*1)</b>
Personnel Expenditures (PE)	\$ 88,444,442	
Non-Personnel Expenditures (NPE)	\$ 125,057,653	
<b>(B) Total Pass-Through Budget Objective (*4)</b>	<b>\$ 262,822,346</b>	
ODM Service Level Agreements	\$ 15,699,605	
Debt Service	\$ 100,110,263	
Reserves	\$ 46,325,802	
Capital Improvement Plan	\$ 100,673,956	
<b>(A) + (B) Total MWWD Budget Objective</b>	<b>\$ 476,324,941</b>	

Note (\*1): In accordance with the MOU, the LMP will be held to the Total Controllable Budget Objective, not PE and NPE components. Similarly, numbers of employees (full time equivalents or FTEs) are not controlled by this Bid, only the Total Controllable Budget Objective offered to provide specified services. The City shall facilitate the execution of related personnel management decisions, such as classification and hiring actions.

Note (\*2): Future year Controllable Budget Objective PE will be adjusted to match actual salary and fringe adjustments in negotiated labor contracts as well as City directed adjustments as reflected in the annual appropriation ordinance. Special one-time adjustments will be made for FY 2009 and beyond as follows:

(a): A decrement will be made for dollars associated with the 17.5 WWC FTE that were phased out during FY 2008 as part of the original BPR.

(b): A decrement will be made for dollars associated with transferring the trenching crews to a City Service Level Agreement.

Note (\*3): Future year Controllable Budget Objective NPE will be adjusted to match actual adjustments in the local area Consumers' Price Index (CPI).

Note (\*4): Future year Total Pass-Through Budget Objective will be adjusted to match actual budget changes in its four component parts identified in Table 1-1.

### **1.3 Budget Objective Components**

The Total MWWD Budget Objective presented in Table 1.1 is divided into two major components for the purpose of performance auditing. The two components are 1) the Controllable Budget Objective, and 2) the Pass-Through Budget Objective.

#### **1.3.1 The Controllable (In Scope) Budget Objective**

The Controllable Budget Objective (also referred to as "in scope") represents the annual cost elements of the Bid that can generally be controlled by the MWWD LMP for the services specified. Cumulative actual costs (expenditures and encumbrances at the time of the annual performance report / audit) are compared to the Controllable Budget Objective to determine positive or negative variance on an annual basis. (Note that the in scope actual costs may be adjusted for activities deemed to differ from the services specified in this agreement. Refer to Paragraph 1.4 below.)

#### **1.3.2 The Pass-Through Budget Objective**

The Pass-Through Budget Objective represents the annual cost elements of the Bid that are generally outside the control of the MWWD LMP. The Pass-Through Budget Objective includes costs such as Service Level Agreements (SLAs), fees charged by other agencies, and other costs categorized as outside the control of the MWWD LMP. These costs will not be included in the annual determination of variance.

### **1.4 Adjustments to the Bid and/or Budget Objective**

#### **1.4.1 Background**

In the Budget Performance Monitoring and Uncontrollable Events / Changes in Law sections of the MOU, the parties acknowledge that circumstances can occur that could require a negotiated adjustment to the Bid. MOU Section V.C. also lists several events qualifying for Bid adjustments. Furthermore, this Bid contains references to potential conditions or situations that may warrant adjustments to the Bid.

#### **1.4.2 Process for Submittal and Approval of Bid Adjustments**

Step 1 – Notification: Upon determination by the MWWD LMP of an event or situation that may qualify for a Bid adjustment, the MWWD Assistant Director shall notify the Mayor and/or

the Mayor's Representative in writing. The written notice should include a description of the nature of the event and an estimate of the requested adjustment/fiscal impact. Requests for Bid adjustments should be made as soon as practicable, upon identification of a potentially qualifying event. Requests submitted late in the fiscal year may result in a delay of the annual audit.

Step 2 – Review: The request will be reviewed by the Mayor and/or Mayor's Representative. It is intended that this step be interactive as required, with any clarifications or additional information being supplied promptly by the MWWD LMP.

Step 3 – Finding: After reviewing the request and additional information if any, the Mayor and/or Mayor's Representative will make one of the following determinations (with a target of 10 working days from receipt):

- ◆ Deny the request with justification consistent with provisions of this agreement.
- ◆ Approve the requested adjustment in a brief written determination addressed to the MWWD LMP, without requiring an Amendment to the Bid. (Utilizing such administrative adjustment is a judgment decision of the Mayor/Mayor's Representative and would normally be reserved for clear cases that impact only the Budget Objective for one year, and when a simplified process is deemed sufficient.)
- ◆ Request an Amendment to the Bid. The MWWD LMP would be required to prepare an Amendment to the Bid and obtain signatures from all parties to the agreement.

Step 4 – Resolution: To ensure transparency in this Public Contract Operations Bid to Goal Agreement, all adjustments approved per Step 3 shall be documented in subsequent applicable Annual Performance Reports. The appropriate application of each adjustment is subject to independent validation by audit. Adjustments with incomplete or improper documentation may not be accepted by the independent auditor. It is the responsibility of the MWWD LMP to properly and completely document all requested adjustments. (Similarly, note that any submission of any actual expenditure as out of scope must be fully justified in the Annual Performance Report by citation of appropriate provision to this agreement. Such justifications are also subject to audit.)

All requests for Bid Adjustments and/or Bid Amendments must be resolved before the annual audit can be completed.

## 1.5 The Mayor's Representative

The MWWD *Public Contract* (Bid to Goal) *Agreement* is designed to be an adaptation of a contract between a public agency and a private sector service provider. This agreement incorporates the useful *clarity* and *mutual accountability* to stated budgets and service levels of a traditional contract, into a legal vehicle with City employees that maintains the public sector advantages of better *transparency* and *control* over key City infrastructure with public health implications. At the Mayor's discretion, an individual outside the MWWD LMP may be




appointed to serve as the Mayor's Representative to administer this agreement. The intent of such an appointment would be to specify a point of contact to readily oversee routine matters (such as reviewing performance reports), as well as to facilitate the prompt resolution of non-routine issues. This appointment should be in writing with a copy addressed to the Chair of the MWWD LMP.

### 1.6 Bid Approval

When this page is fully executed and dated, the Bid is accepted and the MWWD Bid to Goal program is initiated per the terms in the operative MOU and this document.

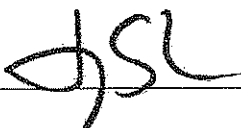
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SUBMITTED FOR METROPOLITAN WASTEWATER DEPARTMENT

  
\_\_\_\_\_  
Metropolitan Wastewater Department Assistant Director

Date: 2/21/08

ACCEPTED BY THE CITY OF SAN DIEGO

  
\_\_\_\_\_  
Mayor

Date: 3-5-08

## 2 BID BASIS

### 2.1 Introduction

#### 2.1.1 General

This Bid was developed from efforts in the organizational improvement process known as MWWD Bid to Goal Business Process Reengineering. Its main objective was to sustain a balanced and advantageous approach to providing wastewater management, operations and maintenance services in the best interests of public health, safety, welfare, environmental protection, and community economic interests.

The MWWD LMP shall establish a headquarters site located in the City to house most administrative functions; the site is currently located at 9192 Topaz Way, San Diego, California, 92123. The headquarters site and the other sites for operations may be relocated upon written approval of the Mayor. Any costs associated with such relocation shall be excluded from the scope (out-of-scope) of this Bid.

The MWWD LMP's actual costs to manage, operate, and maintain the System will be tracked and reported in relation to the Budget Objective.

Excluded from the scope of this Bid (out-of-scope), unless specifically noted, are the following services or facilities:

- ◆ Any new facility not operational as of June 30, 2007, or not named within this document
- ◆ Metropolitan Wastewater Department Capital Improvement Projects and System Modifications not operational as of June 30, 2007, or named within this document
- ◆ Services provided by Service Level Agreement with other City departments.
- ◆ Departmental Reserves, unless specific treatment is detailed.

#### 2.1.2 Description of In-Scope Facilities

In accordance with this Bid, the MWWD LMP shall manage, operate, and maintain the System, and provide services and functions equal to or better than the base year, FY 2007. MWWD manages all of the resources needed to operate and maintain the City of San Diego's Municipal Sewerage System and the Metropolitan Sewerage System. The mission of MWWD is to "provide the public with safe, efficient, and effective regional wastewater services." The Municipal Sewerage System is specific to the City and consists of all elements required for the collection and conveyance of wastewater generated within the City of San Diego. The Metropolitan Sewerage System treats the wastewater generated by the City of San Diego and 15 nearby cities and districts with a population of more than 2 million.

## 2.1.3 Base Levels of Service, Risk and Associated Cost Responsibility

### 2.1.3.1 Level of Service

The Bid is presented for management, operations and maintenance services for the System at specified levels and conditions.

### 2.1.3.2 Risk Management and Cost Responsibility

A basic principle of contract operations, is the concept of risk management and associated allocation of cost responsibilities. In order to realize the benefits of reduced costs using competition-driven technologies and operating techniques, this Bid proposes an allocation of cost responsibilities in a manner similar to allocations commonly found in private sector contract operations.

The following Table 2.1 presents Examples of Cost Responsibilities of the MWWD LMP's In-Scope Items (those that are the responsibility of the MWWD LMP in return for the funds included in the Budget Objective) and out-of-scope Items (those that are outside the scope of the Bid). Should any "in scope" issues occur, the MWWD LMP assumes responsibility without a request for additional funding. However, should any Out-of-Scope or similar issues occur, the MWWD LMP is entitled to an adjustment in the Budget Objective or to an exemption of expenses matched to the specific issue by valid documentation.

In determining "scope" issues, the term "current" is defined as the level of service provided in FY 2007 (base year of agreement). With regard to unit rates, "current" is defined each year as the rate in place in FY 2008 accelerated (for each intervening year to bring it to the year of interest) by the local area Consumer Price Index (for non-personnel costs), and for approved City of San Diego labor rate increases for relevant labor organizations from the FY 2008 base rate.

Table 2.1: Examples of Cost Responsibilities

In-Scope Items	Example
To MWWD LMP	
Staffing	Current salaries, benefits
Postage	Current postal rates
Wastewater Treatment Chemicals	Current unit costs
Preventive Maintenance	Documented as cost-beneficial for all wastewater equipment
Predictive Maintenance	Costs of administering the program
Normal Equipment Repairs and Replacement	Replacement or repair of equipment
Regulatory Coordination/Reporting	Current or easy to anticipate routine regulatory issues and inspections
Utilities	Current rates for electrical, water, and sewer usage costs

Out-of-Scope Items	Example
Salary, benefits	Labor expended on out-of-scope activities.
Increase in the Number or Capacity of Facilities	Changes in number or capacity of facilities in service as of the end of FY 2007. New facilities costs are out of scope.
Inflation in major NPE beyond CPI	Chemicals suffer an 8% increase in a year that the Budget Objective NPE is increased 3% overall in line with the total CPI. In this case, 5% of the increased chemical costs should be claimed as out of scope in the Annual Performance Report. This is a cumulative issue for the term of the agreement, in that increases in later years must be compared to the cumulative CPI increases effective for each year. Future year adjustments may be accommodated in the normal budget cycle if timing permits.
Implementation Costs for initiatives not specified in the Bid	Unfunded mandates by City, State, Federal governments. (If emergent initiative is funded, Budget Objective should be augmented accordingly).
Capital Improvement Projects	Operations for Additional Capital Improvements not listed in Table 2.3.
Changes in Service Levels and Guidelines	Employee time or MWWD resources, beyond FY 2007 levels, for activities that are mandated by the City but are not associated with core functions as defined within the Bid.
Costs for Unusual Breakdowns of Equipment	Breakdowns of major equipment or capital assets beyond reasonable planning capacity, and for which all appropriate maintenance has been performed and no operator error has contributed.
System Modifications	Modifications implemented at the request of the City to anticipate or address system obsolescence.
Employees on Long-Term Leave or Extended Light Duty	Costs associated with filling in for employees on leave or light duty for greater than 60 consecutive work days (each partial day counts as one).
Independent Auditor Costs	Audits and feedback in regard to review of the internal quarterly reports and the Annual Report.
Deposits and Expenses from Reserves	Operating Reserve, the Employee Efficiency Incentive Reserve and the Dedicated Reserve for Efficiency Savings.

## 2.2 Service Levels

This Bid is presented for MWWD services for the System. Key Performance Service Levels are noted in MOU Table 1. Unless otherwise noted (such as continual reductions in Sanitary Sewer Overflows and in annual gainsharing criteria), levels of service will be in line with those provided to ratepayers at the end of FY 2007.

### 2.2.1 Memorandum of Understanding (MOU)

The MOU is the basis for the preparation of this Bid. No material exceptions or modifications to the MOU are offered, and the Bid and levels of service proposed in this Bid are in accordance with the MOU. This Bid includes implementation and interpretive details regarding the policy statements contained in the MOU. Once the Bid is accepted, an agreement is operative for the continued provision of Management, Operations, and Maintenance services for the System during the specified term.

### 2.2.2 Associated In-Scope Responsibilities

The MWWD LMP will be responsible for all associated aspects of the Management Operations, and Maintenance Services for the System, as set forth in this Bid and under the MOU.

CITY POLICIES AND GUIDELINES. The MWWD LMP, subcontractors, agents, and invitees will be required to comply with all City policies and guidelines. Any cost associated with a change to City policies and guidelines during the term of this agreement is excluded from the scope (Out of Scope) of this Bid.

STORM WATER. Stormwater discharge from the System is regulated by various National Pollutant Discharge Elimination System (NPDES) permits for storm water. The MWWD LMP will operate the System in accordance with existing stormwater NPDES permits and existing storm Water Pollution Prevention Plans.

HAZARDOUS MATERIALS TRAINING (HAZMAT). The MWWD LMP shall comply with existing City and other regulatory HAZMAT policies.

EMPLOYEE SAFETY. The MWWD LMP shall be responsible for basic site security, such as maintaining fencing and locking gates at the level currently in place for the safety of employees, through MWWD LMP members.

TRAINING. The MWWD LMP shall ensure employees receive training opportunities to maintain necessary certification or other qualifications to meet regulatory requirements.

STAFFING. The MWWD LMP shall provide qualified staffing for the System, including supervisory staff, which maintains any certifications and qualifications necessary to comply with regulatory requirements. The MWWD LMP shall manage the personnel expenses to remain within the Budget Objective. To comply with the requirement for this paragraph, the MWWD LMP may, from time to time exceed the number of budgeted positions to make up for staffing shortages due to vacancies, light duty, furloughs, and other leaves of absence.

UTILITIES. Subject to modifications in the Budget Objective due to changes in billing rates, the MWWD LMP's responsibility with respect to utilities will be as follows:

- ◆ Telephone service and electronic communication charges and associated taxes and repairs.
- ◆ Water and sewer service charges and natural gas charges.
- ◆ Electrical use for the System.

REVENUE. Changes in revenues shall be accounted for as described in the MOU, Section V.B.

SPILLS. The MWWD LMP will be responsible for actions and costs associated with the

cleanup, reporting, and disposal of all spills from the System, or from MWWD LMP activities. It is the responsibility of third-party contractors to correct deficiencies in performance associated with working on MWWD activities. Except for incidental and administrative costs related to the correction of deficiencies in performance by third-party contractors, the costs associated with such deficiencies in performance shall be excluded from the scope (out-of-scope) of the Bid. Actions and costs associated with the actions, resolution of disputes, fines, monitoring, cleanup, reporting, and disposal of all spills at the site from third-party contractors working on CIP activities or any others shall be excluded from the scope (out-of-scope) of the Bid.

Other on-site third-party contractors (e.g., CIP) shall be responsible for cleanup, reporting, disposal, and all associated costs of all spills occurring as a result of their operations. The MWWD LMP will facilitate emergency and urgent actions in this regard. Costs thus incurred shall be excluded from the scope (out-of-scope) of the Bid. Note that other City department's sewer laterals and private sewer mains shall not be considered part of the System.

SOLID WASTE. The MWWD LMP shall be responsible for disposal of all solid waste generated on-site from MWWD LMP activities, in accordance with all applicable regulations. All costs for disposal of solid waste generated by third-party contractors working on CIP activities, or any others, shall be out-of-scope.

INSURANCE. The Metropolitan Wastewater Department shall furnish the MWWD LMP the required liability insurance as provided by the City for claims and similar events in accordance with the City's Risk Management policies. The costs of insurance are paid by the Metropolitan Wastewater Department. The costs for any claims shall be paid by MWWD LMP as a Pass-Through cost unless caused by employee negligence or operating error. The MWWD LMP shall provide all other insurance as provided by the City in accordance with the City's Risk Management policies.

TOOLS AND EQUIPMENT. The MWWD LMP shall furnish and maintain all tools and equipment needed to provide controllable Management, Operations and Maintenance Services consistent with Section 1.3.1.

VEHICLES. The MWWD LMP shall manage the operation and pay for maintenance of all City vehicles and other related equipment designated by the MWWD LMP for services for the System. The MWWD LMP may use privately owned vehicles to provide services. Authorized drivers of privately owned vehicles operated for MWWD LMP activities shall be reimbursed for all usage costs on a mileage reimbursement basis in accordance with City Policy and respective labor contract.

EMERGENCY PLANS AND SAFETY PROVISIONS. The MWWD LMP shall adopt and utilize the existing emergency plans safety provisions as prepared by the Metropolitan Wastewater Department.

**SAFETY PROGRAM.** MWWD LMP shall adhere to federal, state, and City safety programs in order to effectively minimize the potential for injury and property damage. All modifications or procedural changes due to safety recommendations by City or other regulatory agencies shall be deemed and treated as a Change in Law.

**INFORMATION TECHNOLOGY (IT) SUPPORT.** The MWWD LMP shall manage all required information technology support to ensure continued efficient operations. The MWWD LMP may elect to allow that such support (hardware and software) be provided through the Metropolitan Wastewater Department and the existing Metropolitan Wastewater Department Information Technology (IT) Section and/or the City's centralized support organization and/or San Diego Data Processing Corporation. If the MWWD LMP elects to provide such services through means other than the existing Metropolitan Wastewater Department IT Section and/or the City's centralized support organization and/or San Diego Data Processing Corporation, it will be responsible for all necessary hardware and software costs, including ongoing user support, as well as developing the necessary links to the Metropolitan Wastewater Department's information systems to ensure continued reliable and accurate operation of that system, in accordance with the requirements of the MOU.

**FACILITIES.** The areas and facilities specified in the Assumed QSD are to be provided to the MWWD LMP for its use and the MWWD LMP shall maintain the specified facilities as specified below under "Building, Grounds Maintenance, and Central Yards."

**BUILDING, GROUNDS MAINTENANCE, AND CENTRAL YARDS.** Areas within the existing MWWD facilities are to be provided to the MWWD LMP for its use. The MWWD LMP may elect to allow that such building maintenance support be provided external to the department (e.g., by other City departments or available best value service providers).

In addition, the areas for parking of employee vehicles and vehicles to be operated and maintained by the MWWD LMP shall be provided.

### **2.2.3 Functional Limits of Responsibility**

The MWWD LMP will be responsible for providing Management, Operations, and Maintenance Services for the System in accordance with this Bid.

The MWWD LMP will be responsible for coordinating (but shall not be responsible for actually performing) several activities with regulatory agencies, and other contractors, if any, including:

- ◆ Contractors performing work on System capital improvements.
- ◆ Regulatory agency inspections.

### **2.2.4 Capital Improvements**

#### **2.2.4.1 General Requirements**

The Capital Improvement Program (CIP) of the Metropolitan Wastewater Department and

third-party projects include proposed projects (Planned Capital Improvements or "CIP") that will affect the operations and maintenance of the System, and that are identified in this Bid. The MWWD LMP will review and comment on planned CIP projects, coordinate with contractors during construction on operations related issues, and provide appropriate operations and maintenance staff to operate the planned capital improvements projects upon acceptance by the MWWD LMP. When and only when appropriate to City policy and Generally Accepted Accounting Practices, CIP support costs may be charged to the capital program as pass through expenditures. There will be operations and maintenance training provided to the MWWD LMP and equipment performance tests as part of the planned capital improvements. Implementation delays can have impacts on operations costs. Should such impacts be material, appropriate adjustments will be made to the Budget Objective in accordance with MOU Section on Uncontrollable Events/Changes in Law.

The MWWD LMP will monitor warranty aspects of planned CIP project equipment or facilities and accept corrective maintenance responsibilities after the planned capital improvements stipulated warranty or "good repair" period has expired. The MWWD LMP shall accept operational, routine maintenance and preventive maintenance responsibilities of these planned capital improvements after the MWWD LMP accepts them from the contractors. The MWWD LMP shall notify the Service Provider during the warranty period if equipment performance or reliability is deficient, or if operations and maintenance costs that are experienced during the warranty period appear excessive. The responsible contractor or equipment supplier shall make warranty repairs at no cost to MWWD LMP. Costs for repairs made by the MWWD LMP during the warranty period or on equipment reported by MWWD LMP during the warranty period to have deficient performance or reliability shall be excluded from the scope (out-of-scope) of the Bid.

In addition, lost work-time incurred by the MWWD LMP due to deficient performance or reliability under a warranty period of any CIP project shall be a basis for a request for modification of the Bid, or modification of the performance measurements impacted by such lost work-time.

#### **2.2.4.2 Capital Expenditure Recommendation/Coordination**

The MWWD LMP will assess the need for capital expenditures beyond the current plan and submit to the Metropolitan Wastewater Department recommendations and justification for major component costs of newly-accepted CIP projects.

#### **2.2.4.3 Additional Capital Improvements**

For the purpose of this Bid, Additional Capital Improvements are modifications not currently planned, or not included in the currently planned Capital Improvements. The impact of these additional improvements or modifications on operational costs and/or the Budget Objective will be negotiated at the appropriate time and may result in an amendment to the Bid.

### **2.2.5 Performance Specifications for MWWD LMP**

Unless otherwise specified, the MWWD LMP shall deliver all services provided by MWWD to



ratepayers at levels equal to or better than those delivered in the base year, FY 2007.

## **2.2.6 Inspections and Reports**

### **2.2.6.1 Inspections**

The MWWD LMP shall attend and represent the MWWD at regulatory permit compliance inspections conducted by county, regional, state, and federal agencies having permitting authority and jurisdiction over the System. The MWWD LMP shall respond to the inspecting agency in writing with regard to any written inspection reports, and provide copies of inspection reports and responses to the Metropolitan Wastewater Department.

The MWWD LMP may request internal courtesy inspections by City regulatory personnel and may respond as the MWWD LMP deems necessary. Costs associated with courtesy inspections are in-scope. Inspections initiated by City regulatory personnel, such as the Fire Department, Environmental Services/HazMat, and the Safety Office, for no purpose other than to assist the MWWD LMP in assessing status, conducted more frequently than twice per year or what is then regularly required by any single agency shall be excluded from scope (out-of-scope) of the Bid. Inspections provided for by agreement or to validate remedies from previous inspection results are in scope.

### **2.2.6.2 Regulatory Reporting**

The MWWD LMP shall review and certify all required regulatory agency reports and notifications in accordance with all current Metropolitan Wastewater Department practices, regulatory agency requirements, and permits, including the Regional Water Quality Control Board reports related to the System.

### **2.2.6.3 Periodic Reports**

Information Reports. The MWWD LMP shall maintain monthly/accounting period data required for monitoring system performance, and report to the Director of Public Utilities.

### **2.2.6.4 Performance Reports**

An Annual Performance Report covering best available information for the recently completed fiscal year shall be submitted on or before each November 30<sup>th</sup> by the MWWD LMP via the MWWD Assistant Director and the Director of Public Utilities to the Mayor or Mayor's Representative who shall oversee further distribution if appropriate.

During the fiscal year being executed, and before the Annual Performance Report is due, significant actual or highly probable deficiencies in MWWD LMP performance shall be reported in a supplementary Interim Performance Report submitted via the same route as the Annual Performance Report. Such "by exception only" Interim Performance Reports shall be in straight-forward narrative format and shall specify the performance issue of concern and identify corrective action(s) in progress or contemplated. Once such a report is initiated, update Interim Performance Reports shall be submitted if significant changes (including resolution) in the identified deficiency develop. All Interim Performance Reports shall be included as attachments in the Annual Performance Report. An example of a MWWD LMP Annual

Performance Report can be found in Appendix A.

### **2.2.7 Additional Required Services**

Each Division shall meet regularly with Department Management to review business related issues. To the extent practical, Divisions shall announce and make available to personnel the opportunity to attend such periodic 'all hands' meetings.

### **2.2.8 Services Not Part of the Budget Objective**

The MWWD LMP shall not have cost responsibility for providing the services listed below. When requested or directed to perform these, the MWWD LMP will account for these services as excluded from the scope (out-of-scope) of the Bid items. Departmental budget considerations shall be identified to the Metropolitan Wastewater Department in a timely manner.

- ◆ Employees on Long-Term Leave or extended light duty. The personnel costs associated with filling normal job duties for employees on leave or extended light duty for greater than 60 consecutive work days due to sickness, disability, military leave, jury duty, or suspension with pay or for any other reason. (Note: fill in for any partial day will count as one day in this context.)
- ◆ Other Additional Services: Provision of any additional service above the levels provided within this Bid, or support for out-of-scope activities.

### **2.2.9 Pass-Through Costs**

#### **2.2.9.1 Capital Improvement Program (CIP) Support**

Beyond the components described above as pass-through, the sum of the actual amount of unallocated costs incurred by the MWWD LMP providing support services to the Metropolitan Wastewater Department CIP shall be treated as pass-through. The MWWD LMP shall account for all CIP related costs and properly allocate these costs to CIP in accordance with policy.

- ◆ Permit Applications: Assistance in preparation of regulatory permit applications, Waiver requests or change negotiations relative to System operations and maintenance. The MWWD LMP shall approve applications prior to submittal by the Metropolitan Wastewater Department. Permit Inspection or Renewal fees paid to regulatory agencies shall be a pass-through Cost.

#### **2.2.9.2 Permit Applications and Claims**

The MWWD LMP shall approve applications prior to submittal by the Metropolitan Wastewater Department. Costs associated with the following activities shall be treated as Pass-Through or out of scope expenditures: assistance in preparation of regulatory permit applications, waiver requests or change negotiations relative to System operations and maintenance, and permit inspections and renewal fees paid to regulatory agencies.

The costs for all claims shall be charged to the MWWD LMP as a Pass-Through cost.

However, if a claim is the result of negligence of the MWWD LMP or failure to comply with the terms of the MOU, then the costs of the claim are to be paid as part of the Controllable Budget Objective and not as a Pass-Through Cost.

## **2.3 Pricing**

Adjustments for actual cost increases and costs related to unforeseen circumstances may be made only pursuant to provisions in the MOU Section V and clarifications in this Bid.

## **2.4 Modifications**

### **2.4.1 System Modifications**

It may be necessary or desirable to further modify, alter, or improve the System, either at the request of the MWWD LMP or the City. These modifications may be appropriate to increase the efficiency or improve the performance of the System, to anticipate or address the obsolescence of any portion of the System, or to respond to a Change in Law. All such System Modifications shall be financed and designed, built, procured, and implemented by the City.

### **2.4.2 Modifications at MWWD LMP Request**

The MWWD LMP may propose that the City make System Modifications. All System Modifications proposed by the MWWD LMP shall be subject solely to the City's approval. The City has no obligation to accept the MWWD LMP's proposed System Modifications. If pursuant to a Change in Law, relief will be in accordance with MOU Section entitled Uncontrollable Events/Changes in Law.

### **2.4.3 Modifications Due to Changes in Law**

When a Change in Law occurs, the City shall make all System Modifications necessary to permit the MWWD LMP to perform its obligations under the agreement. If a requirement for secondary treatment at the Point Loma Wastewater Treatment Plant is implemented by regulatory agencies, it shall be considered a Change in Law. The City and the MWWD LMP shall cooperatively evaluate alternate solutions and expeditiously address Changes in Law. Material operations and maintenance cost charges resulting from Changes in Law shall be out-of-scope and result in Budget Objective adjustments, unless otherwise specified.

### **2.4.4 Modifications by the City**

The City may undertake System Modifications. If such modifications impair the ability of the MWWD LMP to meet the Regulatory Conditions, do not comply with this Bid, adversely affect the MWWD LMP, or impose additional cost, delay, liability, or obligation to the MWWD LMP, then a modification to the Bid shall be determined in good faith.

### **2.4.5 Procurement of System Modifications**

The City may require that any System Modification be designed, built, procured, and implemented as a Metropolitan Wastewater Department public works project. If undertaken by the Metropolitan Wastewater Department or a third-party contractor, the MWWD LMP shall

cooperate and assist in the implementation of the System Modification, in accordance with Section 2.2.5 of this Bid.

After acceptance of this Bid, modifications to this agreement may be proposed by any party to this agreement as outlined in Section 1.4 of this Bid and resolved by mutual agreement and be authorized in writing.

## **2.5 System Repairs, Replacements and Major Maintenance Activities**

### **2.5.1 In Scope Repairs or Replacements**

In order to provide for a high level of System reliability and to continue the development of in-house expertise of the staff for work on specialized wastewater equipment, certain System repairs, refurbishments, and replacements shall be performed by the MWWD LMP staff. Examples of such repairs, refurbishments, and replacements are identified in Table 2.2. Expenses associated with these activities shall not be considered part of the Controllable Budget Objective, i.e., shall be treated as pass-through costs.

**Table 2.2: In-House Repairs, Refurbishments, Replacements**

Examples
Refurbishment of Wastewater Screens
Reconditioning of Pump Rotating Assemblies
Other Repair, refurbishment, or replacement activities as directed by the MWWD Deputy Director

### **2.5.2 Infrastructure Asset Management (IAM) Reserve**

There shall be an Infrastructure Asset Management (IAM) Reserve created and funded to support ongoing System maintenance (repair(s) and replacement(s)). The IAM Reserve may be used to fund non-capital repairs, replacements or refurbishments, or for capital requirements when Capital Funds are not readily available to meet the needs of the System for continuous operation. Any Reserve funds not expended at the end of one Fiscal Year, shall be transferred into the Reserve for the subsequent fiscal year for expenditure in succeeding years.

The MWWD LMP shall have the right to draw on Reserve funds to make infrastructure asset repair(s) or replacement(s), or for non-capital maintenance activity, such as the contract cleaning of digesters, routine pump refurbishment, or for any activity approved by the MWWD Assistant Director. The amount of the current year Appropriation transferred to the IAM Reserve shall be excluded from the Controllable (In-Scope) Budget Objective. Similarly, actual expenditures made from the Reserve (from current or prior year contributions) shall be excluded from the In-Scope Variance Calculation. The purpose of these exclusions is to remove any incentive for the MWWD LMP for attaining savings from planned System maintenance, thereby promoting the implementation of best industry practices in infrastructure asset management. Note that expenditures for labor and fringe benefits of the MWWD LMP

for activities associated with these asset repairs or replacements shall be charged to the Controllable Budget Objective (In-Scope) and not be charged to the IAM Reserve. To summarize, this IAM Reserve is designed to both (1) prevent deferring System maintenance by facilitating best industry practices in infrastructure asset management, and (2) stabilize budgets (Budget Objectives) from year to year by accommodating real world variances in annual maintenance funding requirements by providing a Reserve for deposit of funds in low-requirement years and a source of funds in high-cost years.

Each year, each Division of the MWWD LMP shall include a contribution to the IAM Reserve in its Controllable Budget Objective. The amounts for FY 2008 are presented in Table 2.3. Future year contributions may be amended, based upon documented analyses as part of the ongoing development of the MWWD Asset Management Program. These amendments should be incorporated into the normal budgetary process.

**Table 2.3: FY 2008 Contributions to the Infrastructure Asset Management Reserve by Division**

MWWD Division	Annual Contribution
Treatment and Disposal	\$4,000,000
Wastewater Collection	\$400,000
Env't. Monitoring and Tech. Services	\$400,000

### 3 BASIS OF BUDGET OBJECTIVES

#### 3.1 General

The Basis of the MWWD LMP's Bid presented in Section 2 of this document summarized the responsibilities of the MWWD LMP. In essence, Section 2 presented the terms and conditions that define the duties and responsibilities of the MWWD LMP to the City. The Basis of the Budget Objectives in this Section 3 presents the key assumptions of each Division of MWWD LMP and the basis for computation of the costs comprising the Budget Objectives for each section. The following information is provided for each division of MWWD:

- ◆ Significant Planned Initiatives or Improvements
- ◆ Cost Assumptions
- ◆ Additional Opportunities Not Included in the Bid

##### 3.1.1 Departmental Cost Assumptions

- ◆ The extent of the San Diego Wastewater System for the purpose of determining the Budget Objective for the MWWD LMP is defined in the Assumed Quantifiable System Definition (Appendix B).
- ◆ The salary and fringe benefits are based upon the City of San Diego's average compensation package for each job classification as defined by the Fiscal Year 2008 Budget. Any changes to the compensation package will result in an adjustment to the Bid.
- ◆ Provide levels of service consistent with those experienced by ratepayers in FY 2007.
- ◆ Incorporate in Budget Process the ability to include unfunded but approved FTEs to allow management of staffing levels.
- ◆ The total controllable budget objective assumed full funding of the staff positions identified in the MEO. Industry experts were firm that this level of funding was required to effectively run the wastewater utility. It is acknowledged that actual vacancy rates will not be zero, but that the time involved in filling vacancies will be reduced in the future by continuous personnel management improvements. Actual future vacancies will be accommodated by such measures as overtime and limited or temporary staffing arrangements not to exceed the total controllable budget.
- ◆ Approval of a consolidated MWWD LMP (Director's) Contingency at the Department level.

#### 3.2 Wastewater Treatment and Disposal Division

##### 3.2.1 Significant Planned Initiatives or Improvements

- ◆ Completion of Asset Management Program Development (2 years)
- ◆ "Champions" for energy and chemicals assigned to control costs.

### 3.2.2 Cost Assumptions

- ◆ Overtime Rate – 6.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Chemical and Energy Bid Costs at Current Rates
- ◆ Asset Management Plan and IAM Reserve Included

## 3.3 Wastewater Collection Division

### 3.3.1 Significant Planned Initiatives or Improvements

- ◆ Greater worker flexibility between work units
- ◆ Improve sewer cleaning quality:
  - ◆ Improved tool quality
  - ◆ More frequent cleaning training
  - ◆ Modify sewer cleaning QA/QC program
- ◆ Reduce cleaning requirements in low risk areas
  - ◆ Modify cleaning frequency decision process to better use available data
- ◆ Improve coordination, scheduling, and tracking of canyon activities
- ◆ Improve use of management tools to increase sewer repair productivity
- ◆ Optimize pump station maintenance program
- ◆ Review organizational design of sewer acceptance, warranty, and repair/replacement decision making and modify to increase coordination
- ◆ Eliminate assignment charges from Equipment Division for vehicles beyond useful life
- ◆ Redefine and reallocate operations engineering services that are being reduced in the WWC Bid
- ◆ Transfer additional sewer alarm monitoring functions and activities to current alarm contract.

### 3.3.2 Cost Assumptions

- ◆ Substantial reduction in overtime
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Streets SLA will continue and refocus after elimination of current backlog
- ◆ Algorithm for Collection System flow meters alarms will reduce false alarms by 90%

- ◆ Contingency for larger emergencies held at Department level
- ◆ WWC Bid does not include inspection and potential cleaning of Metro sewers
- ◆ Large diameter sewer inspection focusing on cleaning needs assessment (was not performed in FY06)
- ◆ A reduction in the quantity of motive equipment
- ◆ Claims against MWWD will be paid at the Department Level
- ◆ No significant changes to existing permits and regulatory procedures are anticipated.
- ◆ In general, FY2006 service levels will be maintained

### **3.4 Environmental Monitoring and Technical Services Division**

#### **3.4.1 Significant Planned Initiatives or Improvements**

- ◆ In-Sourcing "To-Be" Process Matrix to be followed
- ◆ Aggressive recruitment and hiring processes will eliminate delays in filling vacancies.

#### **3.4.2 Cost Assumptions**

- ◆ Overtime Rate – 1.5 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Overtime related to call-backs and/or emergencies such as spills or other events is in excess to the above baseline.
- ◆ Overtime associated with new and/or continued special projects, the waiver, and or other work beyond FY 2007 service levels will be determined on a case by case basis and will be out-of-scope.
- ◆ Mandated City training and meetings limited to no more than 40 hours per employee per year.
- ◆ Standby pay established to address operational needs may be addressed through a budget adjustment.
- ◆ EMTS Staff defines the Statement of Work and parameters for any new or renegotiated SLAs/contracts supported by the EMTS operating budget.
- ◆ Assumes NPE such as equipment, supplies and capital outlay associated only with FY 2007 service levels or as otherwise specified in this agreement.
  - ◆ Does not include NPE associated with non-regular or unforeseen replacement of equipment and/or maintenance that may be needed during the 5-year bid period.
- ◆ Assumes maintenance of existing vendor contracts for existing IT/LIMS/GIS applications.



- ◆ Assumes adequate annual funding of EMTS Division's IT needs budget request (including SDDPC labor costs for new technology implementation projects).
- ◆ Assumes MWWD continues its current policy of providing funding for network costs, standard hardware, software and other "department-wide resources."
- ◆ Assumes additional outlays associated with improved efficiencies such as programming to automate routine regulatory reporting requirements, equipment/instrumentation training, etc.
- ◆ Capital outlay and other NPE in FY 2008 indexed to inflation for subsequent years. Unspent capital outlay rolls over to next year total budget allocation.
- ◆ Cost increases from vendors treated as out-of-scope and budget adjusted proportionately.
- ◆ EMTS sets equipment and [analytical] software standards in conformance with standards required by or necessary to meet regulatory requirements.
- ◆ No significant changes to regulatory requirements affecting monitoring and reporting programs.
- ◆ Special projects and emergency response to continue at current levels.

### **3.5 Engineering and Program Management Division**

#### **3.5.1 Significant Planned Initiatives or Improvements**

- ◆ Reorganization of the Long Range/Master Planning Section for Muni and Metro Facilities.
- ◆ Additional automation of the Collection System CCTV and condition assessment process.
- ◆ Creation of a Program Management section to oversee the management of MWWD CIP projects performed by a centralized Engineering Department.

#### **3.5.2 Cost Assumptions**

- ◆ Overtime Rate – 2.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ City-wide BPR Process – Services not assumed to remain in MWWD will be provided at historic service levels and cost levels.
- ◆ Functions under review in the City-wide BPR Process include Design, Construction, Engineering Support to Operating Divisions, and Development Review.
- ◆ No funding for Secondary Treatment, contract services for inspection of force mains and interceptors, permit costs or contract services for support to operating divisions, mitigation, restoration, and canyon access design, implementation and easement acquisition.

### **3.6 Administrative Services Division**

#### **3.6.1 Significant Planned Initiatives or Improvements**

- ◆ Consolidation of the Services & Contracts Division and the Information and Organizational Support Division into the Administrative Services Division.
- ◆ Centralization of the following functions: Budget Analysts, Payroll and Training within the HR section.
- ◆ Rate Case function transferred from Financing Services Dept. to the utility departments (Water & MWWD)
- ◆ Reductions: cut SDDPC positions to reflect centralized helpdesk and infrastructure services. Eliminated: 3 full-time and 4 part-time SDDPC positions, Program Manager now half-time.
- ◆ IT Budget Allocations: Applications, maintenance contracts and division specific projects are budgeted within the division
- ◆ Reduction: OES II SLA deleted
- ◆ Process Improvement: Addition of the Accident Review Committee to Safety's Accident Investigation

#### **3.6.2 Cost Assumptions**

- ◆ Overtime Rate – 2.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ City-wide BPR Process
  - ◆ Certain Key Services Remain in MWWD
  - ◆ Services Not Assumed to Remain in MWWD will be provided at historic service levels and costs.
- ◆ Functions Shifting to Other Divisions:
  - ◆ COMNET
  - ◆ Engineering
  - ◆ Flow Metering

#### **3.6.3 Additional Opportunities Not Included in the Bid**

- ◆ Add management position for high visibility agreements

### **3.7 Other Metropolitan Wastewater Department and City Activities**

The MWWD LMP is necessarily dependent upon other City departments to support the activities associated with the MWWD LMP's Bid. Appendix C lists all effective Service Level Agreements with such departments. Specific services to be provided by these agreements are

described in respective SLA documents available by contacting the Administrative Services Division Deputy Director.

It is important to note that SLAs are renegotiated relative to price and content each year. This agreement assumes timely renegotiation of all SLAs such that appropriate management of dependent activities (budget formulation, rate setting, etc.) is facilitated. Similarly, mutual SLA accountability is assumed relative to quality of services provided, consequences as to non-performance and meaningful dispute resolution processes.

## 4 DEFINITIONS AND INTERPRETATION

As used in this Bid, the following terms shall have the meanings set forth below:

"Agreement Date" means the date the MOU and Bid are executed by the parties hereto. The MWWD Bid to Goal Agreement Date is 7/1/2007.

"APCD" is the Air Pollution Control District having jurisdiction over the System.

"AWWA" is the acronym for American Water Works Association.

"Applicable Law" means any law, rule, code, standard, regulation, requirement, court decree, court order, court agreement, permit, action, determination, guideline, or order of, or any Legal Entitlement issued by, any professional or industry organization or society or any Governmental Body having jurisdiction, applicable from time to time to any of the activities associated with the construction, operation, maintenance or repair of the System; the collection, transmission, treatment, and disposal of wastewater; the production, transmission, storage and delivery of reclaimed water; the transfer, handling, transportation or disposal of residuals, and any other transaction, matter or obligations of the parties contemplated hereby, without limitation, any of the foregoing which pertain to water treatment, residuals, health, safety, fire, environmental protection, labor relations, and building codes).

"Assumed Quantifiable System Definition (QSD)" means detailed projections concerning various measurable characteristics that define the existing System under this Bid. The Assumed Quantifiable System Definition for the environment expected to be managed by the MWWD LMP, was developed for preparing the Bid. Significant changes in the Assumed Quantifiable System Definition values will impact the costs of providing services and are grounds for renegotiation of the Bid.

"Best in Class" means achieving the top performing quartile in relevant performance measures reported in the QualServe program.

"Bid to Goal MOU" means the Memorandum of Understanding (MOU) concerning the Bid to Goal offer of the MWWD LMP which was approved by the Mayor and City Council.

"Budget Objective" means the total annual compensation paid to the MWWD LMP to operate, maintain and manage the in-scope activities of the MWWD LMP in accordance with this Bid, for each fiscal year during the term of this agreement. The Budget Objective includes the in-scope costs of operations, maintenance and management, the Pass-through Costs, the contingency, and the allowance for inflation. The Budget Objective is the compensation the MWWD LMP will be paid for the services they provide, and shall not be changed, except as provided in the MOU and this Bid. Refer to Section 1.3 of this Bid for definition of the components of the Bid Objective, specifically the Controllable Bid Objective and the Pass-Through Bid Objective.

"CDHS" means the State of California, Department of Health Services.

"Change in Law" means generally any of the following events which occur after the agreement date:

- a) the promulgation, modification or written change in interpretation by a controlling authority of any applicable law unless the System had notice or should have had notice of such change as of the date of this agreement; or
- b) the order or judgment of any court or other controlling authority as long as it was not the result of a willful or negligent act or lack of reasonable diligence by a party to this agreement; or
- c) the denial of a permit application or the inclusion of a new relevant condition in the City's permit as long as such denial is not the result of a willful or negligent action or lack of diligence by a party to this agreement.

"City" means the City of San Diego, California.

"CMUA" is the acronym for California Municipal Utilities Association.

"Code Compliance Inspection" means any inquiry into potential municipal, federal or state Code violations.

"Construction Reimbursable Services" means the services provided by the MWWD LMP for approved work on the System requested by a non-MWWD entity, such as a contractor or a developer, or another City department for which MWWD LMP costs are not reimbursed. The Water Enterprise Fund, the Metropolitan Wastewater Department, or the City may be reimbursed for Construction Reimbursable Services.

"MWWD LMP" means the Management Team of MWWD and the employees of the in-scope activities, as represented by Local 127 of the American Federation of State, County, and Municipal Employees (AFSCME Local 127), the San Diego Municipal Employees Association (MEA), and including other classified unrepresented employees.

"EPA" is the United States Environmental Protection Agency.

"Management, Operations and Maintenance" Service means the level of service identified in this agreement relative to appropriate decisions and actions required to run the System identified in the Assumed QSD at the specified service levels for the competitive Budget Objective presented.

"Mayor" means the Mayor or his/her Representative.

"MWWD" means the City of San Diego Metropolitan Wastewater Department.

"MOU" is the Memorandum of Understanding (MOU) concerning the Bid to Goal program of the MWWLD LMP which was approved by the San Diego City Council.

"Notice to Proceed" means those written instructions issued by the City to the MWWLD LMP, requiring the MWWLD LMP to commence operation of the System.

"NPDES" means the National Pollutant Discharge Elimination System.

"Pass-Through Costs" means the amount equal to the actual and direct expenditures paid by the MWWLD LMP for SLAs to other City departments, for capital expenses, for debt service, and for contributions to or expenditures from specified reserves.

"Prudent Industry Practice" means these methods, techniques, standards and practices which, at the time they are to be employed hereunder and in light of the circumstances known or reasonably believed to exist as such time, are generally accepted as prudent in the municipal water industry as practiced in the southern California region.

"Public records Act" means the California Public records Act codified at California Government code Section 6250 et. seq., as amended from time to time.

"Risk Management" is defined as the City of San Diego Risk Management Department.

"Routine Maintenance" is defined in the Performance Specification for Maintenance paragraph of the Bid.

"RWQCB" means the Regional Water Quality Control Board having jurisdiction over the System.

"Service Level Requirements" is defined as the primary service levels of core MWWLD functions that must be maintained at current standards, or better, as provided in this Bid.

"Service Territory" means the City of San Diego, portions of San Diego County and all other territory in which customers are served by the Metropolitan Wastewater System during the term hereof.

"Sludge" means residual biosolids generated or treated by the System resulting from the treatment of wastewater.

"Solid Waste" means any material waste remaining from operations and maintenance, and administrative activities.

"Spill" means a discharge of sewage from a separate sewer system before the headworks of a wastewater treatment facility.

"State" means the State of California.

“System” means the infrastructure assets of the Metropolitan Wastewater Department which are included in the Assumed QSD.

“Uncontrollable Circumstance” means generally any of the events or conditions defined in the MOU and having a material and adverse effect on the performance by the parties of their respective obligations under this Agreement, or on its operation, maintenance or management of the System.

“Utilities” means any and all utility services and installations whatsoever (including gas, water, sewer, electricity, telephone, and telecommunications), and all piping, wiring, conduit, and other fixtures of every kind whatsoever related thereto or used in connection therewith.

# APPENDIX A: MWWD LABOR-MANAGEMENT PARTNERSHIP ANNUAL PERFORMANCE REPORT

MWWD LMP

## ANNUAL PERFORMANCE REPORT

FY XXXX

Date:

Submitted by:

### I. Financial Performance

#### A. Variance Calculation:

Adjusted Controllable In-Scope Budget Objective \_\_\_\_\_

*(Attach an explanation of any difference from MOU)*

Less - Actual Controllable In-Scope Spending \_\_\_\_\_

*(Attach an explanation of adjustments from official report of total MWWD execution to reach in scope spending)*

**Equals - Financial Performance Variance vs. the Controllable Budget Objective**

#### A. Disposition of Variance

*Make a statement as to the amount (if any) eligible to be deposited into the Employee Efficiency Incentive Reserve (EEIR). For the initial calculation, do not consider the \$10M cumulative cap since the residual value of the EEIR at the future time of deposit may not be known. However, if any cap related considerations are valuable to readers/auditors of the report, so note in a footnoted annotation.*

*For positive variance, follow MOU guidelines in the paragraph IV.C entitled Goal, subparagraph Accountability: Employee Efficiency Incentive Reserve and Resulting Operational Savings.*

*For negative variance, make default calculation per MOU paragraph V.B. entitled Administration of Agreement, subparagraph Termination for Default.*

#### B. Deposit in Dedicated Reserve for Efficiency Savings (DRES)

*Taking into account the above Disposition of Variance, present the calculation for deposit into the DRES.*



## **II. Operations and Maintenance Performance**

### ***A. Key Performance Metrics***

Report in tabular form the actual performance relative to the Key Performance Service Levels identified in MOU Table 1. (Include performance goal and actual performance. Cite official reports by title, date, and location of original. Attach copy if practical.)

### ***B. Other Performance Indicators***

1. Report in tabular form the actual performance for each of the performance measures selected annually per the division/section gainsharing program. (Include reference to or copy of specific support documentation.) Present the computation for gainsharing payout for each division (section if relevant).
2. Report in tabular form any additional performance measures of significance to management oversight. Include notes or annotations for such items as awards achieved and known or potential concerns for future performance along with recommendations for action.

### ***C. Status of Reserve for Asset Repair and Replacement***

Report Reserve balance, planned and actual spending over past year, disposition of unspent funds, future year planning (e.g., trends indicate that the Plan should be increased/ decreased as follow: w/ Rationale)

## **III. Narrative Description/Key Considerations/Recommendations**

- A. (optional) Describe how Budget Objective and key performance indicators were met.
- B. Explain negative financial variances and MWWD Standards not met, including but not limited to those noted in above paragraph II. Include assessment of causal factors and recommended corrective measures, if needed.
- C. Discuss any unusual circumstances or assumptions not borne out and associated recommendations regarding future plans and execution.

Attachment \_\_\_\_\_

**BID TO GOAL**

**ADJUSTMENT JUSTIFICATION FORM**

(Include additional pages, if needed)

**1. TYPE OF ADJUSTMENT (CIRCLE ONE)**

Per MOU:

- Inflation in major NPE beyond appropriate consumer price indices;
- Mandated changes in service levels;
- Changes in Assumed Quantifiable System Definition described in the Bid, including  
increases in wastewater flow volumes significantly in excess of volumes projected in the  
system financing plans and significant detrimental changes in influent characteristics;
- Catastrophic breakdowns of major equipment or capital assets;
- Catastrophic acts of nature, terrorism or war
- Changes in Law
- Other (explain in detail)

**2. ADJUSTMENT (a) CALCULATION and (b) JUSTIFICATION**

*(Cite and attach Assistant Director's Notice of Adjustment Materiality; expand if appropriate)*

**3. AMPLIFYING INFORMATION**

*(Cite and attach any related correspondence, minutes or meeting notes)*

## APPENDIX B: Assumed Quantifiable System Definition

### Assumed Influent Conditions

The wastewater characteristics used as the basis for the proposal of the MWWD Labor-Management Partnership are documented in the following reports. Changes in these wastewater characteristics impacting the costs for providing the services are grounds for renegotiation of the Budget Objectives for providing the services in accordance with this Agreement.

- (1) *Annual Receiving Waters Monitoring Report for the Point Loma Ocean Outfall, 2005*
- (2) *Annual Receiving Waters Monitoring Report for the South Bay Ocean Outfall (South Bay Water Reclamation Plant), 2005*
- (3) *Point Loma Ocean Outfall Annual Monitoring Report 2005*
- (4) *South Bay Water Reclamation Plant and Ocean Outfall Annual Monitoring Report 2005*
- (5) *North City Water Reclamation Plant Influent Monitoring Data*

### System Definition

The Quantifiable System Definition on the following table lists key aspects of the System for which services are to be provided. This table does not fully define the components of the System in detail. The actual "as-built" records on the Commencement Date are the authoritative definition of the System. The Projections section of the table presents the projections used to develop the Budget Objectives for the services in conjunction to the System. Changes in these projections are grounds for renegotiation of the Budget for providing the services in accordance with this Agreement.

**Quantifiable System Definition**

			Actual			Projection				
System Component	Notes	Unit	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Member Agencies (including City of San Diego)	9	Each	16	16	16	16	16	16	16	16
Municipal Customers (City of San Diego population served)	9	Each	1,263,950 (est.)	1,278,193 (est.)	1,287,623	1,297,028	1,306,412	1,315,838	1,327,837	1,342,375
Total Customers (Metro Population)		Each	2,075,571 (est.)	2,103,075 (est.)	2,125,205	2,147,334	2,169,464	2,191,593	2,214,320	2,237,643
Point Loma WWTP (Advanced Primary) (a, b, c)	12									
Capacity	1	mgd	240	240	240	240	240	240	240	240
Average Annual Flow (d)	2	mgd	185.2	172.9	183.4	185.2	187.3	188.3	189.4	190.5
Point Loma Gas Utilization Facility										
Electrical Production Capacity	10	kW	7,120	7,120	7,120	5,920	5,920	5,920	5,920	5,920
Annual Electrical Production	11	kWh	37,597,086	37,300,389	37,250,000	36,959,500	36,669,500	36,378,500	36,088,000	35,797,500
Digester Gas Engines		2	2	2	2	2	2	2	2	2
Energy Generator Peak Generator Unit		1	1	1	1	0.5	0	0	0	0
Hydro Unit		1	1	1	1	1	1	1	1	1
North City WRP (a, c)										
Capacity	1	mgd	30	30	30	30	30	30	30	30
Average Annual Influent Flow	2	mgd	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
Average Annual Reclaimed Water Supplied		mgd	2.2	3.6	5.9	6.2	6.1	7.1	7.4	8.3
EDR System (1.1 mgd)		unit	5	5	5	5	5	5	5	5
Privatized landfill gas facility	10	kW	3,800	3,800	3,800	4,750	4,750	4,750	4,750	4,750
South Bay WRP (a, b, c)										
Capacity	1	mgd	15	15	15	15	15	15	15	15
Average Annual Influent Flow (e)	2	mgd	4.7	4.5	9.0	9.0	9.0	9.0	9.0	9.0
Average Annual Reclaimed Water Supplied (e)		mgd	0	0	7.0	7.1	7.2	7.3	7.4	7.4
Metro Biosolids Center (a, b, c)										
Digestion Capacity	1	mgd	9	9	9	9	9	9	9	9

Quantifiable System Definition

System Component	Notes	Unit	Actual			Projection						
			FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012		
Dewatering Capacity	4	TPD	158	158	158	158	158	158	158	158		
Digestion Influent Flow (e)	2	mgd	0.173	0.173	0.173	0.173	0.173	0.173	0.173	0.173		
Dewatering Production	5	wet TPD	317.8	317.8	317.8	317.8	317.8	317.8	317.8	317.8		
Privatized cogeneration facility	10	kW	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400		
Pumping Station No. 2 (a, b, c)												
Capacity	6	MG	432	432	432	432	432	432	432	432		
Average Annual Flow (d)	2	mgd	185.2	172.9	183.4	185.2	187.3	188.3	189.4	190.5		
Force Main	7	miles	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8		
Natural Gas Engine Pump Sets		each	2	2	2	2	2	2	2	2		
Emergency Generator		each	1	1	1	1	1	1	1	1		
Pumps		each	8	8	8	8	8	8	8	8		
Pumping Station No. 1 (a, c)												
Capacity	6	mgd	153	153	153	153	153	153	153	153		
Average Annual Flow (d)	2	mgd	65.6	60.5	69.4	70.5	71.5	72.6	73.1	74.1		
Force Main	7	miles	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6		
Pumping Station No. 64 (a, c)												
Capacity	6	mgd	60	60	60	60	60	60	60	60		
Average Annual Flow (d)	2	mgd	24.6	23.2	24.9	25.2	25.4	25.7	26.1	26.4		
Force Main	7	miles	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6		
Pumping Station No. 65												
Capacity	6	mgd	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2		
Average Annual Flow (d)	2	mgd	8.2	7.5	7.1	7.3	7.4	7.6	7.9	8.1		
Force Main	7	miles	1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.76		
Pump Station 77A&B (a, c)												
Capacity		mgd	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8		
Average Annual Flow (d)		mgd	no data	3.8	4.7	4.7	4.7	4.7	4.7	4.7		
Emergency Generators		each	2	2	2	2	2	2	2	2		
Force Main		miles	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3		

Quantifiable System Definition

System Component	Notes	Unit	Actual			Projection				
			FY 2005	FY 2006	FY2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Pumping Station, East Mission Gorge (c)										
Capacity	6	mgd	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Average Annual Flow (operates during wet weather only)			flows are varied, average about 5 - 7 mgd of average daily flow on the rainy days							
Force Main	2	mgd								
Pumping Station, Penasquitos (a, c)	7	miles	8	8	8	8	8	8	8	8
Capacity	6	mgd	24	24	24	24	24	24	24	24
Average Annual Flow	2	mgd	6.9	5.2	9.4	9.5	9.6	9.6	9.7	9.7
Force Main	7	miles	5.01	5.01	5.01	5.01	5.01	5.01	5.01	5.01
Pumping Station, Otay River (b)										
Capacity (Wet well 1 only, 9A=Muni)	6	mgd	12	12	12	12	12	12	12	12
Average Annual Flow (g)	2	mgd	3.5	2.7	5.1	5.3	5.5	5.7	5.9	6.0
Emergency Generator		each	1	1	1	1	1	1	1	1
Force Main	7	miles	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Pumping Station, Grove Avenue (a, b, c)										
Capacity	6	mgd	18	18	18	18	18	18	18	18
Average Annual Flow (driven by reclaimed water demand/permits)	2	mgd	4.7	4.5	9.0	9.0	9.0	9.0	9.0	9.0
Emergency Generator		each	1	1	1	1	1	1	1	1
Force Main	7	miles	3.48	3.48	3.48	3.48	3.48	3.48	3.48	3.48
Siphons		Barrels	19	19	19	19	19	19	19	19
Diversion Structures (f)		each	68	69	70	71	72	73	74	75

Quantifiable System Definition

System Component		Notes	Unit	Actual		Projection					
				FY 2005	FY 2006	FY2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Gravity Sewer Mains (f)											
				2,879	2,899	2,919	2,939	2,959	2,979	2,999	3,019
		7	miles	2,475	2,495	2,515	2,535	2,555	2,575	2,595	2,615
		7	miles	107	107	107	107	107	107	107	107
		7	miles	213	213	213	213	213	213	213	213
		7	miles	84	84	84	84	84	84	84	84
Collection System Pumping Stations (f)											
				82	83	84	85	86	87	88	89
		9	Each	21	21	21	21	21	21	21	21
		9	Each	34	34	34	34	34	34	34	34
		9	Each	74	75	76	77	78	79	80	81
		9	Each	2	2	2	2	2	2	2	2
Odor Control Systems, Activated Carbon (f)											
		9	Each	17	18	19	20	21	22	23	24
		7	miles	112	112	112	112	112	112	112	112
Force Mains (f)											
		7	miles	187	197	207	217	227	237	247	257
Maintenance Access Paths in Environmentally Sensitive Areas (f)											
		9	Each	260,000	262,000	264,000	266,000	268,000	270,000	272,000	274,000
		9	Miles	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370
		9	Each	218	218	218	218	218	218	218	218
		9	Each	4,556	4,556	4,556	4,556	4,556	4,556	4,556	4,556
		9	Each	16	17	18	19	20	21	22	23
		9	Each	138	146	146	146	146	146	146	146
		9	Each		20	20	20	20	20	20	20
Industrial Wastewater Control Program											
		14									
		9	Each	82	80	80	80	80	80	80	80
		9	Each	185	185	185	185	185	185	185	185
		9	Each	37	37	37	37	37	37	37	37

Quantifiable System Definition

System Component	Notes	Unit	Actual			Projection					
			FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
Additional Control Mechanisms	9	Each	1,601	1,601	1,601	1,601	1,601	1,601	1,601	1,601	
Large User Surcharge Meters	9	Each	213	217	222	226	230	235	240	245	
Ocean Monitoring Program	13										
Spatial Extent		sq. mi	375	375	375	375	375	375	375	375	
Sampling Stations	0	Each	210	210	210	210	210	210	210	210	
Total Annual Samples Analyzed	0	Each	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	
Collection System Main Replacement Program											
Main rehabilitation (g)	7	miles	1.86	0	20.10	16.34	65.50	25	25	25	
Less than or equal to 15" (g)	7	miles	29.25	22.51	8.52	6.09	0.85	14.63	16.33	16.50	
Greater than 15" (g)	7	miles	9.12	5.6	2.31	1.03	0	5.37	3.67	3.48	
Capital Improvement Program											
Construction Value Managed, Plants (\$M)	8	\$ Active	4.21	1.28	5.47	7.78	19.05	30.80	36.75	33.06	
Construction Value Managed, Pump Stations (\$M)	8	\$ Active	13.56	2.87	5.33	8.99	7.37	12.36	7.26	5.18	
Construction Value Managed, Main Replacement (\$M)	8	\$ Active	33.29	14.20	13.20	22.97	36.89	92.65	71.24	73.23	
Construction Value Managed, Rehab Mains (\$M)	8	\$ Active	0.16	0.21	7.30	28.3	31.5	22.5	22.5	22.5	
Construction Value Managed, Ancillary Facilities (\$M)	8	\$ Active	3.63	0.23	0	0	0.83	0.66	0.75	0.78	
Land controlled by MWWD		acres	595.7	595.7	595.7	595.7	595.7	595.7	595.7	595.7	
Buildings controlled by MWWD											
Alvarado Laboratory		each	1	1	1	1	1	1	1	1	
Naval Training Center Laboratory		each	1	1	1	1	1	1	1	1	



Quantifiable System Definition

System Component	Notes	Unit	Actual		Projection							
			FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012		
Metropolitan Operations Center (all buildings)		each	1	1	1	1	1	1	1	1		
Mitigation and Restoration Land or Sites (g)		acres	8	21	15	34	20	15	13	8		

Notes:

- 1 - Permitted Capacity in million gallons per day
- 2 - Average Annual Flow (into facility or system) in million gallons per day
- 3 - Average Annual Influent Concentration in milligrams per liter
- 4 - Permitted Capacity in dry tons per day
- 5 - Average Annual Dewatering Production in dry tons per day
- 6 - Firm Rated Capacity in million gallons per day
- 7 - Length in miles
- 8 - Total Dollars in active design and construction projects
- 9 - Total number in system inventory as of August 1, 2006
- 10 - Total Electrical Generation Capacity in Kilowatts
- 11 - Total Annual Electricity Production in Kilowatt-hours
- 12 - Operates under the provisions of a Clean Water Act Section 310 (h) modified permit as amended by the Ocean Pollution Reduction Act (OPRA) of 1994.
- 13 - Reflects general NPDES permit required "Monitoring and Reporting Programs" for the Point Loma and South Bay ocean outfall regions; does not include additional ocean sampling, modifications to the programs, and/or implementation of special studies resulting from a scientific review by the Scripps Institution of Oceanography or per agreement and approval from the San Diego Regional Water Quality Control Board and USEPA.
- 14 - Program Modified by requirements of the PLWWTP CWA section 301(h) modified permit.
  - a - Distributed Control System
  - b - Engine Generator Sets, Ancillary Facilities
  - c - Screens
  - d - Flows were projected in terms 10-year return. Projected reclaimed water demands were incorporated in this projection. If reclaimed water demand decreases, flow will increase
  - e - Estimated by WWTD staff
  - f - Estimated by WWC staff
  - g - Estimated by EPM staff

## APPENDIX C: SERVICE LEVEL AGREEMENTS

Dept. #	Service Provider Department
<b>Administrative Services Division</b>	
045	City Attorney
050	City Auditor
052	City Treasurer - Investments
890	Customer Svc./Community Service Centers
056	Dept. of Finance - Debt Management
102	Purchasing & Contracting - Contracting/EOCP <sup>1</sup>
102	Purchasing & Contracting - Purchasing <sup>1</sup>
070	Real Estate Assets
760	Water Department
<b>Environmental Monitoring &amp; Technical Services Division</b>	
758	ESD - Household Hazardous Waste
<b>Engineering &amp; Program Management Division</b>	
5431	E & CP Field Eng. - Water & Wastewater - CIP
850	E & CP Water & Sewer Design - CIP
850	E & CP Water & Sewer Design - O&M <sup>1</sup>
449	Park & Recreation - Open Space Division
<b>Wastewater Collection Division</b>	
075	Development Svcs./ NCC-Graffiti Control
543	E & CP Field Division
757	ESD - Parking Lot Sweeping
538	GS - Station 38
534	GS - Street Division - Trench Restoration
110	Police Department
<b>Wastewater Treatment &amp; Disposal Division</b>	
532	GS - Facilities Division
<b>MWWD as Service Provider</b>	
533	EMTS/WWC Services to Stormwater
534	WWC Services to Street Division - Low Flow Diversion

<sup>1</sup> SLA in development